Maine's
Dirigo Health Reform Act

A First-Year Progress Report
September 13, 2003 to September 13, 2004

Presented by
Governor's Office of Health Policy and Finance

Executive Summary

On June 13, 2003, the Maine legislature overwhelmingly enacted the Dirigo Health Reform Act with 2/3 bipartisan majorities in each chamber. Originally proposed by Governor Baldacci on May 5th, the Legislature worked the bill for several weeks making significant improvements and achieving broad consensus among key stakeholders. Governor Baldacci signed the landmark legislation on June 18th. Dirigo Heath became law 90 days later on September 13, 2003. Key accomplishments to date include:

The successful completion of negotiations with Anthem Blue Cross and Blue Shield of Maine as the partner in Dirigo Choice. In keeping with the goal of attracting small business enrollment, the plan is built on the prevailing market PPO offerings but includes three unique innovations: (1) Wellness and prevention coverage at 100%; (2) the Healthy ME Program to provide incentives to enrollees to take individual responsibility for their health and to enhance wellness; (3) Financial Discount Program to offer reduced payments and reduced deductible levels depending on income.

In October of this year, small businesses and the self-employed will be able to enroll. Coverage of benefits will begin on January 1, 2005. Individuals will be able to enroll in March 2005. The Dirigo Health Agency expects to enroll 31,000 people in the first year.

The Issuance of the Interim State Health Plan. The Dirigo Health Reform Act requires a biennial State Health Plan to set forth a comprehensive, coordinated approach to the development of health care facilities and health resources in the State based on statewide cost, quality and access goals and strategies to ensure access to affordable health care.

Following extensive input from the Advisory Council on Health System Development, a public hearing, and incorporation of written public comment, GOHPF issued a one-year, interim Plan in July 2004. The State Health Plan's goal is to strategically improve the allocation and coordination of Maine's health care resources to help Mainers become the healthiest people in the United States. The first biennial State Health Plan will be issued on July 1, 2005.

Issuance of the Capital Investment Fund Rule and Strengthening of Certificate of Need (CON) Program. To ensure wise and coordinated health care investments, the Dirigo Health Reform Act requires the Governor's Office to establish an annual limit, called the Capital Investment Fund, on the dollar amount of third year costs of capital expenditures and new technology investments approved under the CON program. Following input from the Advisory Council on Health System Development, two public hearings, and incorporation of written public comment, GOHPF issued an Emergency Rule on July 26, 2004 to establish the CIF, as a stop gap measure until the Legislature can act on the proposal next session.

Further, the Act requires the State Health Plan to establish criteria to be used in evaluating Certificate of Need applications within the context of the Capital

Investment Fund. Those criteria are included in the interim State Health Plan. Ion addition,

Rate Regulation in the Small Group Market. As authorized by the Act, the Bureau of Insurance has implemented regulations limiting how premium increases can be imposed in Maine's small group market. At least 78 cents of every premium dollar must be spent on medical claims.

Posting of Average Prices. Providers are required to make available upon request their charges for their most common in-patient and out-patient procedures. This enables consumers, businesses and other payers to compare provider costs.

Maine Quality Forum. One of the first of its kind among the states, the Maine Quality Forum is established and working to improve the quality of care statewide. It will pursue many initiatives to improve quality, such as promoting evidence based medicine and best practices, assistance to payers on choosing a quality provider and offering tools for healthier living. The Forum is nearing completion of a consumer friendly website, which will be a primary portal for providing quality of care information to the people of Maine. The Forum is advised by a 17 member advisory council consisting of providers, insurers, consumers and business representatives.

A Collaborative Process. As with its enactment, successful implementation of the Dirigo Health Reform Act requires a collaborative approach. That is why 6 boards and commissions, consisting of diverse stakeholders from across the state, were created to either direct or advise certain initiatives. These are: the Dirigo Health Board of Directors, the Maine Quality Forum Advisory Council, the Commission to Study Maine's Hospitals, the Advisory Council on Health Systems Development, the Public Purchasers' Steering Group, and the Task Force on Veterans Health Services.

Dirigo Health Reform Website. The Dirigo Health Reform Act and all its initiatives can be found at www.dirigohealth.maine.gov. This new website includes details on all of the *cost, quality* and *access* provisions of the Act. The website will be continually updated to provide the latest news and information.

Introduction

On June 13, 2003, the Maine legislature overwhelmingly enacted the Dirigo Health Reform Act with 2/3 bipartisan majorities. Originally proposed by Governor Baldacci on May 5th, the Legislature worked the bill for several weeks making significant improvements and achieving broad consensus among key stakeholders. Governor Baldacci signed the landmark legislation on June 18th. Dirigo Heath became law 90 days later on September 13, 2003.

Dirigo Health once again garnered Maine *first in the nation* status as the first state to pursue comprehensive reform: *cost, quality and access* for every Mainer is the Dirigo Health's mission . The law includes measures to contain health care *costs*, ensure the best possible *quality* of care, and increase *access* to coverage.

Goals and Priorities. Dirigo Health seeks to create a sustainable health care system; a system where all Maine people have access to quality and affordable health care.

Underlying Premise. Dirigo Health was built on the premise that real reform could not be done piecemeal; increased access relies on cost containment, successful cost containment is contingent upon increasing access, and quality improvement must be pursued as costs are reigned in.

Need for Reform. The ability of Maine people to afford coverage and access required care is being jeopardized. In fact, over 130,000 Maine people go without health insurance, and most of them work in small businesses or are self-employed.

- Between 1996 and 2002, the cost of a family health care policy increased 77% while median household income rose only 6%.
- In the past 10 years, Maine's health care costs have more than doubled, from $3.7 billion in 1994 to an estimated $7.7 billion in 2004.
- We now pay a higher percentage of our income for health care than 45 other states.

Despite our high spending, we have high rates of chronic illness, suggesting we need to focus more on prevention and ensure access to quality services statewide.

Implementing Reform. The Dirigo Health Reform Act relies on existing state agencies and creates several new entities to implement, oversee, and advise certain reform initiatives. Importantly, it engages all stakeholders through several boards and commissions to ensure a collaborative and inclusive implementation of the Reform Act.

The Governor's Office of Health Policy and Finance (GOHPF) is responsible for overseeing the entire Reform Act and implementing certain cost containment provisions and broad health initiatives, notably the State Health Plan and the Capital Investment Fund. The Reform Act also created the Dirigo Health Agency to implement DirigoChoice, the new name for the Dirigo Health Plan, and the Maine Quality Forum (MQF). The Department of Health and Human Services (DHHS) and the Bureau of Insurance (BoI) are partners in implementation, sharing responsibilities for certain provisions as well.

The boards and commissions, consisting of stakeholders across the state, consist of: the Dirigo Health Board of Directors, the Maine Quality Forum Advisory Council, the

Commission to Study Maine's Hospitals, the Advisory Council on Health Systems Development, the Public Purchasers' Steering Group, and the Task Force on Veterans Health Services.

First-Year Progress Report. This report will provide details concerning the *cost, quality and access* issues we are facing as a state and summarize and provide a progress report on the reform initiatives authorized to address these conditions by the Dirigo Health Reform Act. The Dirigo Health Agency issued its annual report to the legislature earlier this month.

The progress we report today could not have been made without both:

- those individuals who have been appointed to the Dirigo boards and commissions and who have so generously devoted their time, hard work, and commitment; and
- the financial support of a number of organizations whose grants have supported research, analysis, and implementation for Dirigo Reform.

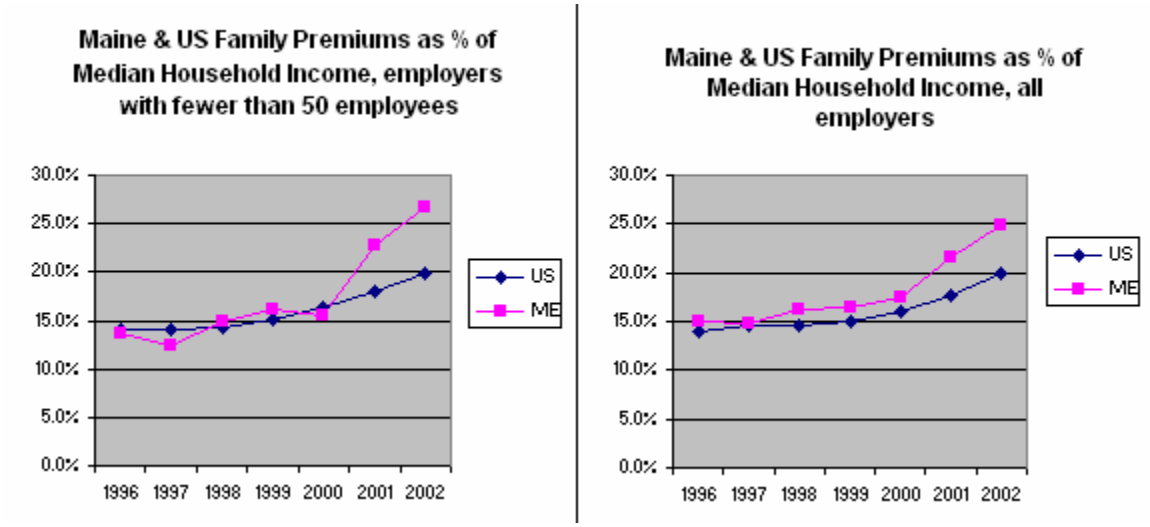
I. Containing Health Care Costs

A. The Situation

Health Care and the Economy. Total health care spending in Maine is estimated to increase from $5 billion, 15.5% of the gross state product (GSP), in 1998 to over $7 billion, nearly 18% of GSP, in 2004.

Health Care and Income. Health care spending – and therefore premiums – has increased faster than income, which results in health care becoming increasingly unaffordable. Between 1996 and 2002, the cost of a family policy for Maine businesses and employees increased by 77%, while median household income increased by only 6%; increases for small businesses have been even steeper (Figure 1).

Figure 1. Maine & US Premiums as % of Median Household Income



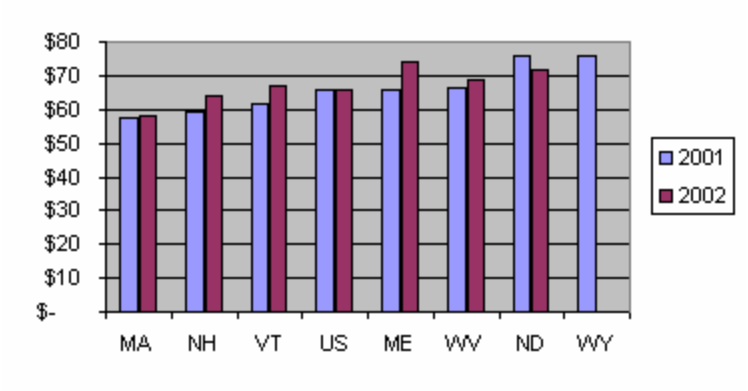
Cost Drivers

Inappropriate Utilization and High Costs of Services

- **Hospitals** are the single largest area of healthcare spending, accounting for over 1/3 of all spending. Our inpatient and outpatient costs are higher than our neighbors.
  - **Inpatient Costs.** Maine had the 6th highest cost per adjusted discharge in the US in 2002, at $6,917 per discharge. This is 19% higher than the national average and 45% higher than the Northeast region average.
  - **Outpatient Costs.** Maine hospitals' median cost of providing outpatient services to Medicare patients in 2001 was on par with the national median, higher than our New England neighbors, and lower than a peer group of states with similar income and demographic profiles. In 2002, however, Maine hospitals exceeded all of these benchmarks (figure 2).
  - **Utilization.** Maine's inpatient utilization patterns are substantial drivers of our health care costs. Our hospital utilization rates are higher than the rest of New England, and only Massachusetts exceeds our rate of admissions.

- **Physician and other professional services** is the second largest area of healthcare spending, accounting for 1/4 of all spending. The development of the Maine Health Data Organization's all payor database later this year will enable analysis of both costs and whether utilization is appropriate given the population's health needs.

Figure 2. 2001 and 2002 Average Medicare Cost Per Adjusted Outpatient APC[ii]



High Rates of Uninsurance

- Maine ranks 1st in New England in the percentage of citizens without insurance (approximately 13% are uninsured).
- The uninsured tend to be more costly to the health care system because they are likely to receive less preventive care and are diagnosed at more advanced disease stages.
- Maine's hospitals and physicians estimate $275 million in bad debt and charity care costs that are shifted to other premium payers, who then pay claims off of inflated charges.

High Rates of Costly Chronic Conditions

- Four leading causes of death -- cardiovascular disease (heart disease and stroke); diabetes; chronic lung disease; and cancer -- account for approximately 70% of Maine deaths each year.
- The burden of morbidity and mortality associated with these conditions totaled almost $2.5 billion in Maine in 1999.
- These chronic conditions can often be prevented by changing personal behaviors such as tobacco use; physical activity; and eating habits; etc.

Pharmaceuticals. Prescription drugs are the third largest single category of health care costs; the rate at which those costs have been growing is significantly faster than all other categories of expenditure. Maine has been a national leader in aggressive state initiatives designed to make drugs more affordable for residents.

B. Dirigo Health Initiatives to Contain Health Care Costs

As represented above, the cost of health care is not driven solely by economic factors. Timely access to appropriate levels of care and the quality of care provided are significant factors in Maine's high health care costs. Accordingly, efforts to contain health care costs must address issues of quality and access.

Initiative: Reduce Bad Debt and Charity Care. Dirigo Health aims to reduce the burden of uncompensated care on providers and therefore all premium payers by expanding access to coverage for the uninsured and underinsured. This will be achieved through implementation of the Dirigo Health Plan and through more affordable private insurance products.

Accomplishment to Date: Governor Baldacci nominated and the Maine State Senate confirmed five distinguished Maine citizens to serve as the first Dirigo Health Agency Board of Directors and named 3 Cabinet members to serve ex officio. A Request for Proposal was developed by the Dirigo Health Agency and resulted in a bid from Anthem Blue Cross and Blue Shield of Maine. Negotiations were successfully completed in August 2004. Enrollment will be conducted by Anthem and its network of insurance producers (or brokers).

The Dirigo Health Agency expects to enroll 31,000 people in the first year.

In October of this year, small businesses and the self-employed will be able to enroll. Coverage of benefits will begin on January 1, 2005. Individuals will be able to enroll in March 2005.

Initiative: Create the biennial State Health Plan The Dirigo Health Reform Act requires a biennial State Health Plan to set forth a comprehensive, coordinated approach to the development of health care facilities and resources in the State based on statewide cost, quality and access goals and strategies to ensure access to affordable health care, maintain a rational system of health care and promote the development of the health care workforce.

Accomplishment to Date: Following extensive input from the Advisory Council on Health System Development, a public hearing, and incorporation of written public comment, GOHPF issued a one-year, interim Plan in July 2004. The State Health Plan's goal is to strategically improve the allocation and coordination of Maine's health care resources to help Mainers become the healthiest people in the United States. The first biennial State Health Plan will be issued on July 1, 2005.

Initiative: Strengthen Certificate of Need (CON) Dirigo Health strengthens the state's existing CON Program by establishing more robust criteria as advanced through the State Health Plan. Additionally, due to an increase of out-patient services provided at non-hospital institutions, CON review has been expanded to include physician's offices and Ambulatory Surgical Units

Accomplishment to Date: The interim State Health Plan, issued in July 2004 contains criteria to be used in evaluating Certificate of Need applications within the context of the Capital Investment Fund (see next bullet). DHHS will propose rules to implement the new criteria.

Initiative: Implement the Capital Investment Fund (CIF) To ensure wise and coordinated health care investments, the CIF will set a limit on the dollar amount of capital expenditures and new technology investments approved by the CON program each year.

Accomplishment to Date: Following input from the Advisory Council on Health System Development, two public hearings, and incorporation of written public comment, GOHPF issued an Emergency Rule on July 26, 2004 to establish the CIF as a stop gap measure until the Legislature could act. DHHS will review CONs against the new CIF.

Initiative: Commission to Study Maine's Hospitals The Commission, consisting of 9 members representing providers, insurers, consumers and business, is conducting a comprehensive analysis of hospital costs, roles, reimbursement, capital and technology needs, and will report its findings in November of 2004. A significant portion of the report will make recommendations to policymakers for achieving improvements in our hospital system.

Accomplishments to Date: The Commission has met 23 times to date and is in the process of drafting its report to the legislature. In the 23 meetings the Commission has received input from representatives from a wide range of interested parties, including, but not limited to: large hospital systems; small and mid-size unaffiliated hospitals; physicians groups; insurance companies; employers; consumers; and nurses. The Commission has also obtained the input of economists, and expert in the field of health care efficiency and quality issues, and an expert in hospital accounting and finance, including commissioning an in-depth report of Maine Hospital Financial Performance, 1993 through 2002 (www.healthpolicy.maine.gov/reports/index.html#drkanestud). Issues discussed have included, but not been limited to: the development of transparent and standardized measures to understand hospital costs and financial health; the role of hospitals in Maine's economy; the role of excess capacity in creating unnecessary utilization ("supply driving demand"); administrative streamlining; the creation and use of electronic medical record systems; and regionalization and antitrust issues.

Initiative: Enhanced Public Purchasing The Public Purchasers' Steering Group brings together the largest public purchasers' in the state to determine ways to coordinate and collaborate activities that advance the organization and purchase of cost effective, quality health care services by public entities of the State of Maine.

Accomplishments to Date:

- Completed a report showing that the 6 largest public purchasers spend collectively over $2 billion per year on health care and provide care for 40% of Maine people.
- Explored traditional, group purchasing activities in areas such as outpatient pharmacy services and disease management services. These efforts have been confounded by state legislation impacting group pharmacy purchasing, as well as the separate needs of the individual organizations.
- Explored the development of common public policies that would advance reform throughout the entire health care system. These initiatives include adopting a common prospective reimbursement program for inpatient services (DRG) and performance based bonus incentive programs for providers. These analyses are currently underway.

Initiative: Voluntary Cost Controls Dirigo Health asks hospitals, physicians and other providers, as well as insurers to limit operating margins to 3% during a transitional period; hospitals were also asked to limit cost growth to 3.5%.

Accomplishment to Date: Maine's hospitals have embraced the initiative and are seeking to meet these targets, as has Anthem Blue Cross and Blue Shield of Maine and United Health Care. The Commission to Study Maine's hospitals will hold a meeting in late September 2004 to hear from hospitals and insurers about the impact of the voluntary measures.

Initiative: Rate Regulation in the Small Group Market For the first time, insurers providing small group coverage are required to submit premium rate increases to the Bureau of Insurance for approval if the loss ratio is projected at less than 78%.

Accomplishment to Date: The Bureau amended its rate filing regulations to include small group rate approval requirements and the guaranteed loss ratio reporting option. Five rate filings have been reviewed. Three carriers have opted to file reports demonstrating a 78% guaranteed loss ratio.

Initiative: Accountability for all Insurers All health insurers doing business in Maine will be required to comport with standardized annual reporting requirements. These requirements will include prescribed definitions of items including administrative costs and medical costs, so as to allow easy comparisons of loss ratios and profit across lines of business and across insurers.

Accomplishment to Date: BoI has amended its rules to set forth new annual data reporting requirements for health plans doing business in Maine that will enable the Bureau to better monitor the continued viability of Maine's small group and individual health plan markets.

Initiative: Price-Posting Providers are required to make available upon request their charges for their most common in-patients and out-patient procedures. This enables consumers, businesses and other payers to compare provider costs.

Accomplishment to Date: In January 2004, GOHPF posted at its web-site an online "brochure" that provides the statewide average charge for the 15 most commonly performed inpatient hospital procedures statewide in 2002. Bringing the list of statewide average charges with them when seeking health care can help people determine how their hospital's charges compare with those charged state-wide. The Governor's office will post similar lists for outpatient hospital services and for non-hospital physician services in the coming months.

C. Other Initiative to Contain Health Care Costs

GOHPF worked with Governor Baldacci, the then Department of Human Services, state finance officials and the Legislature to achieve cost savings and efficiencies in the MaineCare program without cutting eligibility or raising taxes in order to fill two budget shortfalls during the second session of the 121st Legislature.

D. Recent Drop in Insurance Rates

Just last week, a Kaiser Family Foundation report indicated that after two years of Maine's small group rates growing significantly faster than the US average, premium rates increases have leveled off and are slightly lower than national average. Bringing down the rate of growth of insurance premiums is a major focus of Dirigo Health Reform.

II. Improving Quality of Care

Why address quality of care? Dirigo Health represents a comprehensive reform of the state's health care system. All Maine people must have access to quality services in each corner of the state and we must ensure our health care investments are strategic towards meeting our quality needs. While Maine is ranked 8th nationally in terms of overall health, we must not sacrifice quality as we pursue cost containment.

Further, an improved quality to cost ratio will lessen the burden on the state's economy; thereby improving the state's competitive position.

A. The Situation

Quality of care issues faced by the state

- High rates of preventable disease, despite Maine's high level of spending
  - Adult admission rates for preventable diseases such as heart disease, angina and pneumonia are significantly higher than elsewhere in the US
  - Maine's rates of smoking, heart disease, stroke and diabetes are higher than in all other New England states
  - Maine consistently ranks among the 5 states with highest rates of cancer mortality
- Lack of uniformity in treatment of similar conditions
  - there are considerable variations across the state in how providers care for similar conditions
- Need for utilization of electronic medical records and other technological tools to support proven chronic care models

B. Dirigo Health Initiatives to Improve Quality of Care

The Maine Quality Forum (MQF) was created by the Dirigo Health Reform Act to promote quality of care issues statewide. It operates under the jurisdiction of the Dirigo Health Agency with a 17 member advisory council consisting of providers, insurers, consumers and business representatives. Additionally, the MQF will advise the Certificate of Need program concerning needed investments in technology to improve quality of services.

The MQF has completed its organizational phase. It has hired: an Executive Director, Dr. Dennis Shubert, a shared epidemiologist, an educator also trained in community psychology, and support staff. The Maine Quality Forum Advisory Council is chaired by Dr. Robert McArtor with Mr. Jonathan Beal as chair of the Technology Assessment Committee, Dr. Jan Wnek as chair of the Performance Indicator Committee and Dr. Philip Elkin as the chair of the Provider Group. All members have contributed many hours to the work of the Maine Quality Forum and its allied groups.

The MQF is pursuing a number of initiatives:

1. Promote evidence based medicine and best practices – currently it takes 10 to 15 years for research findings to become common practices.
2. Report on provider quality to enable consumers and business to make informed choices. Report on provider metrics to allow providers to improve systems of care.

3. Assess medical technology needs throughout the state and inform the Certificate of Need process.
4. Coordinate efficient collection of health care data - data to be used to assess the health care environment and facilitate quality improvement and consumer choice.
5. Promote healthy lifestyles.
6. Focus on patient safety and efficiency of care through use of electronic medical records.

Accomplishments to date:

- Maine's hospitals, employers and MQF are working together to provide, to the public, information about care within hospitals. The group has selected the initial collection of indicators of quality and patient safety. Presently the group is collecting the data.
- The Maine Health Information Network Technology (MHINT) planning effort has started with the first decision point scheduled for December 31, 2004. The Maine Quality Forum, the Bureau of Health, Maine Health Access Foundation, and the Maine Health Information Center support this joint planning effort. The MHINT network is a computer system that will allow critical parts of a patient's medical information to be available to their provider, at the patient's request, throughout the State of Maine. The availability of information will make a patient's care safer and faster.
- The Maine Quality Forum Website goes live this month. The web site provides easy access to public information about geographic variations in care across Maine. The web site displays variation in both surgical and medical care. Informing the public about geographic differences in care will help them understand that medicine is not an exact science. The website stresses our message that patients need to realize that they need to be active in their own care.
- The Legislature asked the Maine Quality Forum Advisory Council to look into the adequacy of the use of registered nurses in hospitals. The Maine Quality Forum Advisory Council will provide the Legislature with recommendations about the tools that the Legislature could use to help ensure that we know if adequate numbers of registered nurses are caring for our citizens.
- Maine Quality Forum soon will issue an RFP and award a contract for analysis of the Maine paid health claims database. Information from this contract will be used to describe medical care in the State of Maine. The information will allow employers, patients and providers to understand better what care is actually being delivered. We can then work on making sure that everyone gets no more and no less than what he or she needs.

III. DirigoChoice – *Expanding Access*

A. The Situation

Maine's uninsured

- 1 in 8 Maine people under the age of 65 are uninsured – approximately 140,000 men, woman and children.
- Only 4% are out of the labor force
- 73% work in small businesses (50 or fewer employees) or are self-employed.
- 78% of the uninsured have incomes below 300% of the Federal Poverty Level, or $56,500 in yearly income for a family of four.
- Bad Debt and Charity Care costs, about $275 million each year, are paid by all premium payers because of higher hospital rates to recoup costs of caring for the uninsured and underinsured. Those higher rates are passed on in higher premium costs.
- Health insurance would reduce mortality rates for the uninsured and could improve their annual earnings by 10-30%.

Access for the Uninsured as an Economic Development Strategy

Maine ranks last among the New England states in the rate of employer based insurance (55% of Maine's businesses offer coverage) yet we rank first in the number of uninsured. Dirigo Health seeks to strengthen the employer based system of health care delivery and end the erosion of employer based coverage by providing an affordable plan and bringing cost down for all businesses.

This is especially important because high levels of health care spending have proven to be a cause of sluggish job growth in others sectors. "Health care is a major reason why employment growth has been so sluggish," according to the chief economist at Wells Fargo.[1] Many businesses remain reluctant to hire full-time employees because health insurance has become one of the fastest-growing costs for companies.[2]

B. Dirigo Health Initiatives Increasing Access

1. By containing the growth of health care costs, Dirigo Health will help all premium payers through lower insurance premiums and more manageable rates of growth.

2. DirigoChoice is a health coverage program designed specifically to offer the uninsured and underinsured populations an affordable and quality health coverage plan. It will offer small businesses, the self-employed and individuals an affordable and quality plan and discounts to employees, individuals and families to help them afford it.

   DirigoChoice is a voluntary program. It will offer comprehensive services and cover preventive services at 100%.

[1] Porter, Eduardo. "Rising Cost of Health Benefits Cited as Factor in Slump of Jobs." New York Times, August 19, 2004.
[2] *ibid*.

Discounts and reduced deductibles and out of pocket maximum costs are provided to enrollees with incomes below 300% of federal eligibility levels - $28,000 for an individual and $56,500 for a family of four.

3. The Dirigo Health Reform Act authorizes the Dirigo Board to determine, on an annual basis, the savings offset payment to be applied in the prospective 12 month period, based on measured savings "resulting from decreasing rates of growth in the State's health care spending and in bad debt and charity care costs." (§ 6913(2)). This payment will be used to fund enrollment in Dirigo Choice. The payment, collected from licensed health insurers and Third-Party Administrators in the State, cannot be greater than the measured savings and cannot be greater than 4 percent of revenues.

Accomplishments to Date

The Dirigo Health Agency issued its annual report to the legislature earlier this month. That report provides additional information on the accomplishments below.

Completion of Plan Design with an Anticipated Roll-out in Fall, 2004. The Dirigo Health Plan is ready for a marketing roll-out commencing with the completion of contractual arrangements with the insurance partner, Anthem Blue Cross and Blue Shield of Maine. In keeping with the goal of attracting a business enrollment, the plan is built on the prevailing market PPO offerings but includes three unique innovations.

1. **Wellness and prevention coverage at 100%**. The program provides comprehensive coverage of important preventive care to encourage early and effective interventions and to reduce serious illness and complications that arise from delays in seeking care. Well baby visits and physical exams for adults including blood testing and screening tests like mammograms are covered 100% without any enrollee co-payments. Some important preventive services like flu shots are also fully covered.

2. **Healthy ME Program**. The benefit plan is structured to provide incentives to enrollees to take individual responsibility for their health including life-style changes to enhance wellness. The Healthy ME Rewards Program, developed as part of the Dirigo Health Plan, will pay $100 to enrollees who select a primary care physician and visit that physician to complete a health needs questionnaire and set goals to improve health. (e.g.; physician recommended weight loss and smoking cessation.) The Dirigo Plan will also offer discounts to Fitness Club memberships and will offer small businesses an innovative program of workplace wellness.

3. **Financial Discount Program.** The most fundamental departure from traditional insurance is the Dirigo Plan payment structure and out-of-pocket payment structure. Enrollees with incomes under 300% of the federal poverty line (about $56,000 for a family of four) will be eligible for reduced payments and reduced deductible levels. The lowest income individuals and families will receive a 100% discount and participate in Dirigo Health at no monthly cost. The level of discount declines as incomes rise. In this manner, the program is tailored to make health coverage affordable to all, while asking families to contribute a reasonable amount based on their ability to pay.

Another innovation of the plan is its coordination with MaineCare which allows the lowest wage workers to qualify for full discounts and additional services directly from MaineCare. By building on MaineCare the program allows those eligible for that program to participate in Dirigo but at a 100% discount level. Dirigo encourages MaineCare members to work and guarantees them that, should their incomes rise from employment, they remain eligible for Dirigo; there is no longer a cliff of eligibility as exists today when a worker makes a dollar more and loses all capacity to cover health care costs. DHHS is leading the work to coordinate MaineCare and Dirigo.

Request for Proposal for an Insurance Partner. A Request for Proposals for an insurance partner was issued by the Dirigo Health Agency and the Department of Health and Human Services on May 7, 2004. While later than originally anticipated, the release of this document represented the completion of internal staff work on significant design elements of the Dirigo Plan. Prior to soliciting bids from insurers, the Dirigo Agency and Board and DHHS had to determine the benefit and payment structure and program eligibility requirements, to review state and federal regulatory requirements covering both private insurance products and the Medicaid Program, and to map future organizational responsibilities of the contractor and Dirigo Agency Staff.

Anticipated program costs necessary to design the premium structure were developed by Watson Wyatt, Inc., based on comprehensive demographic data from the Maine population, and Maine-specific health care utilization and cost information.

The Request for Proposal resulted in a bid from Anthem Blue Cross and Blue Shield of Maine. Negotiations were successfully completed in August 2004. Anthem and its network of insurance producers (or brokers) will market and sell the plan. DHHS will be responsible for administering all aspects of the MaineCare contract and for administering the financial discount program

The Dirigo Health Agency expects to enroll 31,000 people in the first year.

In October of this year, small businesses and the self-employed will be able to enroll. Coverage of benefits will begin on January 1, 2005. Individuals will be able to enroll in March 2005.

The Savings Offset Payment. Working together with consultants from Mathematica Policy Research, Inc., the Harvard School of Public Health, and the Health Policy Institute of the Muskie School, the Governor's Office of Health Policy and Finance and the Dirigo Health Agency have developed a proposed methodology for determining the annual Savings Offset Payment as it applies to health insurance carriers. The methodology was reviewed with key stakeholders at a workshop held in June. A methodology for determining the savings offset payment to be paid by third-party administrators will be proposed after consultation with self-insured employers, multiple-employer welfare arrangements and third-party administrators, as required by law.

To meet the challenges set forth by the Law, we propose to use multiple methods to measure savings. Multiple measurements are necessary to capture all elements of savings specified in the Law (aggregate reductions in health costs and savings due to reductions in bad debt and charity care). The measurements are:

1. Compare total personal health care spending in Maine on an annual basis with a forecast of total health care spending in Maine in the absence of the implementation of the Dirigo Health Reform Act
2. Develop base-line database of actual, hospital-specific bad debt and charity care experience and measure change after Dirigo Health is operational.
3. Monitor changes in health insurance benefits and premiums and average annual per person payments of self-insured plans in comparison to national trends.

The measurement of aggregate changes in personal health care spending (Method 1) and the measurement of changes in bad debt and charity care (Method 2) will not be summed together to determine the Savings Offset Payment. The measurement of aggregate changes is assumed to encompass savings from all sources, including reduced bad debt and charity care. The measurement of savings in bad debt and charity care, however, is a sub-analysis that will serve as a quality check for the aggregate savings measurement.

In addition, using multiple methods provides quality control, where the results of each measurement can be compared to the results from alternative methodologies.

IV. Additional Accomplishments to Date

Below are additional accomplishments not mentioned elsewhere in this report.

The Task Force on Veterans' Health Services

Key Duties: Reviewing and assessing the needs of the State's veterans for health care services, and the availability, accessibility and quality of public and private health care services for veterans. The Task Force must submit a report to the legislature by January 1, 2005 that, based on its review and assessment, makes recommendations for the reorganization of those services to more effectively meet the needs of the State's veterans for health care services.

- Examined a range of issues, including, but not limited to: ways to bring additional federal VA funds to Maine; veterans' access to prescription drugs through the VA; veterans' experiences receiving care through non-VA physicians and through the VA, coordination between those two sources of care, and veterans geographic access to services; and what opportunities might be available to Maine through the VA's reorganization/evaluation process.
- Created and compiled responses to a survey sent to Maine physicians to gather data on issues facing Veterans who receive care from both the VA and private physicians, and gathered data from existing sources to assist in determining how the state's 150,000 veterans currently receive and finance their health care. Data from these various sources will be used to help formulate and estimate costs and benefits of the Task Force's recommendations.
- In an effort to inform veterans of the range of benefits to which they may be entitled: (a) recommended that Maine's Department of Human Services revise the MaineCare application to add a question about military service; DHS has agreed to adopt this recommendation, and will begin collecting the information this fall; and (b) stayed abreast of developments regarding Maine's Department of Defense, Veterans and Emergency Management "Operation I-SERVED" Project to identify veterans in Maine.
- Stayed abreast of VA plans to open a new outpatient clinic in Cumberland County and five new part-time telemedicine clinics in Lincoln, Dover-Foxcroft, Houlton, Farmington, and South Paris, and continued discussing how these developments will interact with other options the Task Force has been considering for its report to the Legislature.
- Formed subcommittees to distill recommendations from the Task Force's work and begin drafting the Task Force's report to the Legislature.

Governor's Office of Health Policy and Finance

In addition to accomplishments listed earlier in this report, GOHPF:

- Sought nominations from across the state and all stakeholders for the 6 boards and commissions to ensure quality and diverse representation.
- Provided staff support to the Dirigo Health Agency in the development of DirigoChoice. Trish Riley, Director of GOHPF, led the state's negotiating team with Anthem that resulted in successful negotiations and contracts with Anthem to carry DirigoChoice.

- Secured funding for the full range of activities under Dirigo Health. In particular, since December 2002, GOHPF has worked to secure $4,430,000 in grants and Federal contracts to support Dirigo's goals.
- Worked with the DoL last year to make available over $9 million from the US Department of Health and Human Services to provide bridge payments to displaced workers participating in the Health Care Tax Credit, which is a program of the Trade Adjustment Assistance Act.

Bureau of Insurance

In addition to accomplishments to date listed on page 10,

- As instructed by Dirigo Health Reform, the Bureau amended its geographic access standards [Rule Chapter 850] for managed care plans to allow greater flexibility and promote the utilization of high quality health care.
- As instructed by Dirigo Health Reform, this January the Bureau will issue a report on medical malpractice lawsuits, damage awards for noneconomic damages in those lawsuits, and the cost and availability of medical malpractice insurance in Maine.
- The Bureau adapted its systems to capture more health care information on Third Party Administrators (TPAs).

Appendix: Membership of Dirigo Boards and Commissions

Dirigo Health Board of Directors

Chair
Robert McAfee, MD
Retired and Former President
American Medical Association

Dana Connors
President
Maine State Chamber of Commerce

Mary Henderson
Executive Director
Maine Equal Justice

Carl Leinonen
Executive Director
Maine State Employees' Association

Charlene Rydell
Policy Advisor
Congressman Tom Allen

Ex-Officio
Trish Riley
Director
Governor's Office of Health Policy and Finance

Ex-Officio
Rebecca Wyke
Commissioner
Dept. of Administrative and Financial Services

Ex-Officio
Robert E. Murray, Jr.
Commissioner
Dept. of Professional and Financial Regulation

Maine Quality Forum Advisory Council

Chair
Robert McArtor, MD, MPH,
MaineHealth

Clifford Rosen, MD
Maine Center for Osteoporosis Research and Education

Janice Wnek, MD
Maine Health Management Coalition's Pathways to Excellence Project

Stephen Shannon, DO, MPH
Dean and Vice President of Health Services, UNECOM

Richard Bruns, DC
Bruns Chiropractic Clinic

Nancy Kelleher
Senior Director of Public Policy and Communications
Sweetser

Lisa Miller, MPH
Senior Program Officer
The Bingham Program

David White
President
MDI Imported Car Service, Inc.

Frank Johnson
Director
State Employee Health Insurance

Daniel Roet
Director
Human Resources Services, BIW

Jim McGregor
Executive Vice President
Maine Merchant's Association

Chip Morrison
President and CEO
Androscoggin County Chamber of

Commerce

Rebecca Colwell, RN, BSN, MBA
Vice President, HomeCare and Hospice, HealthReach

Vacant
Representative of a Private Health Insurer

Rebecca Martins
Patient Advocate
National Patient Safety Commission

Laureen Biczak, DO
Medical Director
MaineCare

Jonathan S. R. Beal
Attorney

Commission to Study Maine's Hospitals

Chair
William E. Haggett
Chairman of the Board and CEO
Naturally Potatoes

Scott Bullock
CEO
Maine General Health

John Welsh, Jr., FACHE
President and CEO
Rumford Hospital

D. Joshua Cutler, MD
Maine Cardiology Associates

Patricia S. Philbrook, RNC NP
Executive Director
Maine State Nurses Association

Louis Hanson, DO
Private Doctor of Osteopathy

Joseph Ditre
Executive Director
Consumers for Affordable Health Care Foundation

Robert K. Downs
Harvard Pilgrim Health Care

Christopher St. John
Executive Director
Maine Center for Economic Policy

Advisory Council on Health Systems Development

Chair
Brian Rines, PhD
Psychologist

Vice Chair
Lani Graham, MD, MPH
Physician and Public Health Specialist

Maroulla Gleaton, MD
President
Maine Medical Association

Norman Ledwin

Andrew Coburn, PhD
Muskie School of Public Policy

Robert Keller, MD
Orthopedic Surgeon
Maine Spine and Rehabilitation

Edward Miller
CEO
American Lung Association - Maine

John Carr
President

President
Eastern Maine Healthcare

Stephen Farnham
Executive Director
Aroostook Area Agency on Aging

Christine Hastedt
Public Policy Specialist
Maine Equal Justice

Maine Council of Senior Citizens

Dora Mills, MD, MPH
Director
Maine Bureau of Health

Public Purchasers' Steering Group

Chair
Frank A. Johnson
Executive Director
Maine State Employee Health and Benefits

Susan B. Avery
Director of Insurance Programs
Maine School Management Association

Robert Gibbons, Esq.
Executive Director
Maine Education Association Benefits Trust

Thomas Hopkins
Director
University of Maine System Compensation and Benefits

Richard B. Thompson, Jr.
Chief Information Officer
State of Maine

James H. Lewis
Assistant Director
Bureau of Medical Services

Stephen W. Gove
Director of Health Trust Services
Maine Municipal Association

State Representative Ben Dudley
Legislature's Joint Standing Committee on Appropriations and Finance

State Representative S. Peter Mills
Legislature's Joint Standing Committee on Appropriations and Finance

Trish Riley
Director
Governor's Office of Health Policy and Finance

Task Force on Veterans' Health Services

State Senator Bruce Bryant

State Representative Roger Landry

John Wallace
President
Maine State Council for Vietnam Veterans of America

A representative of the Department of

Kris Doody-Chabre, RN
CEO
Cary Medical Center

Arthur Newkirk, MD
Blue Hill Family Medicine

Susan Shaw, RN, DO
MatureCare

Defense, Veterans and Emergency Management

Maj. General Steve Nichols

Lou Dorogi
Department of Human Services

Christine Gianopoulos
Department of Human Services

Larry Mutty, MD
Maine Medical Association

Jack Sims
Director
Department of Veterans Affairs Medical and Regional Office Center at Togus

Timothy Politis, CLU
CEO and Executive Director
Maine Veterans' Homes